

Message Text

CONFIDENTIAL

PAGE 01 JIDDA 07486 231228Z

47

ACTION NEA-10

INFO OCT-01 AF-04 ARA-06 EUR-12 EA-06 ISO-00 AEC-05 AID-05

CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00 EB-07 FEAE-00

FPC-01 H-01 INR-05 INT-05 L-02 NSAE-00 NSC-05 OMB-01

PM-03 RSC-01 SAM-01 OES-03 SP-02 SS-15 STR-01 TRSE-00

FRB-01 PA-01 PRS-01 USIA-06 /113 W
----- 014063

P R 231130Z DEC 74

FM AMEMBASSY JIDDA

TO SECSTATE WASHDC PRIORITY 9648

LKFO RUMTBK/AMEMBASSY BANGKOK 0055

AMEMBASSY BONN

AMEMBASSY COPENHAGEN

AMCONSUL DHAHRAN

AMEMBASSY LAGOS

AMEMBASSY LONDON

AMEMBASSY MADRID

AMEMBASSY MEXICO CITY

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TEHRAN

AMEMBASSY TOKYO

C O N F I D E N T I A L JIDDA 7486

E.O.: 11652: GDS

TAGS: ENRG, PFOR, US, SA, FR, ME

SUBJ: MEXICAN CONNECTION: CLASSIC FAIRY TALE

REF : (A) STATE 278752 (NOTAL); (B) STATE 278352 (NOTAL)

SUMMARY: VARIOUS OIL DEALS USING INTERMEDIARIES ARE AGAIN
SURFACING AFTER A HIATUS OF SIX MONTHS. SUCH DEALS SHOULD BE
INVESTIGATED BUT MOSTLY FOR PURPOSES OF IDENTIFYING THE
PERSONALITIES INVOLVED. WE WISH TO EMPHATICALLY STATE AS
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 JIDDA 07486 231228Z

WE HAVE BEFORE TWO CURRENT MAXIMS REGARDING SAUDI ARABIA: THE

KINGDOM WILL NOT RPT NOT SELL OIL BELOW OPEC PRICES THROUGH DEALERS AND NO LONG-TERM ARRANGEMENTS ARE BEING MADE WITH ANYONE. INTERMEDIARIES OFFERING MORE THAN AN OCCASIONAL SPOT CARGO CAN BE CONSIDERED EITHER CHARLATANS WHO ARE PROBABLY ATTEMPTING TO USE THE U.S. OR U.S. COMPANIES FOR PURPOSES OF ENTICING OIL OFFERS FROM THE SAUDIS. THE KING WOULD NEVER RPT NEVER BE PARTY TO SUCH CHANNELS. END SUMMARY.

1. REFTTEL A DESCRIBES IN ELABORATE DETAIL A PROPOSAL TO USE A MEXICAN AND ISLAMIC BANK CONNECTION IN PARIS TO SELL ONE BILLION METRIC TONS OF "ARAB OIL" TO THE U.S. AT REDUCED PRICES SUPPOSEDLY BECAUSE KING FAYSAL WANTS TO COOPERATE WITH WASHINGTON BUT CANNOT DO SO PUBLICLY IN FRONT OF HIS OPEC ALLIES.

2. THE ENTIRE STORY MUST BE CONSIDERED THE PRODUCT OF AN UNUSUAL IMAGINATION. THE DETAILS OF THE PROVISION OF THE CRUDE SUPPOSEDLY DIVERTED FROM FRANCE ARE SO CONTRARY TO WHAT WE KNOW IS DESIRED BY THE KING AND HIS MINISTERS THAT NO GENUINELY INFORMED SAUDI CONNECTION CAN BE BEHIND THE SCHEME. WE DO NOT RULE OUT THE POSSIBILITY THAT SOME OF THE INDIVIDUALS INVOLVED IN THE "OFFER" MAY HAVE A PRINCELY CONNECTION; THEY MAY EVEN BELIEVE THAT THE DEAL IS SANCTIONED BY FAYSAL. HOWEVER, A BILLION TON DEAL AT SPECIAL PRICES FOR THE U.S. VIOLATES THE CURRENT SAUDI PRACTICE OF NOT UNDERSELLING OPEC AND (AT LEAST UP TO NOW) NEVER OFFERING LONGER DELIVERIES THAN ONE OR TWO YEARS OR IN SUCH LARGE AMOUNTS. (REF B).

3. WE DOUBT THAT ANY OF THE INDIVIDUALS CITED BY CHAHIN HAVE MUCH KNOWLEDGE ABOUT SAUDI ARABIA. IT IS LUDICROUS TO THINK THAT ANYONE COULD CALL THE KING AND RECEIVE A PROMISE OF THIS KING. WE WOULD DEFINITELY WANT MORE EVIDENCE BEFORE EVEN APPROACHING SOURCES WITHIN THE ROYAL PROTOCOL WHO MIGHT BE ABLE TO TELL US IF THERE IS OR EVER HAS BEEN ANY CONNECTION WITH GAFOOR OF THE ISLAMIC BANK OF PARIS, AN INSTITUTION THAT IS UNKNOWN TO US HERE. (PARIS MAY WISH TO COMMENT).

4. WHAT WE HAVE SAID ABOUT THE MEXICAN CONNECTION GOES EQUALLY WELL FOR PROPOSALS BEING RECEIVED BY EMBASSIES ELSEWHERE. SAUDI ARABIA HAS NO DESIRE NOR ANY NEED TO SEEK THIRD PARTIES TO CONFIDENTIAL

CONFIDENTIAL

PAGE 03 JIDDA 07486 231228Z

UNDERCUT OPEC PRICES AND SUPPLY THE U.S. THE KINGDOM MAY RPT MAY SELL OIL AT PRICES BELOW THE OPEC LEVELS, BUT IT DOES NOT RPT NOT NEED NEW MARKETS AND IT CERTAINLY DOES NOT RPT NOT NEED MORE INCOME. ANY PRICE REDUCTION WILL BE MADE AS A RESULT OF A POLITICAL DECISION TO HELP CERTAIN NEEDY NATIONS SUCH AS ITALY OR PAKISTAN WHO HAVE BEEN SEEKING LONGER TERMS AND LARGER SUPPLIES. THE USG HAS NOT, OF COURSE, SOUGHT ANY SPECIAL DEALS AND THE SAUDIS WOULD NOT BE PREPARED TO OFFER US ONE NOW.

5. WE RECEIVE FREQUENT REPORTS OF SUCH DEALS AND BRING THEM TO THE ATTENTION OF AHMED ZAKI YAMANI, SAG MIN PET FOR HIS INFORMATION. HE IS AMUSED OR ANNOYED DEPENDING ON HIS MODD AND HAS TOLD US REPEATEDLY THAT WE WILL BE THE FIRST TO KNOW OF ANY CHANGE IN SALES POLICY.

6. EMBASSIES SHOULD LISTEN TO SUCH REPORTS AND REPORT THEM IF THEY WISH BUT WE WOULD HOPE THAT NO RPT NO U.S. INVOLVEMENT WOULD BE IMPLIED. IN THIS SPECIFIC CASE PRESIDENT FORD SHOULD CERTAINLY NOT BE INFORMED ABOUT THE SUPPOSED APPROACH BY FAYSAL. (IF THERE IS EVER SUCH AN APPROACH, IT WILL BE MADE THROUGH THIS EMBASSY.)

7. COMMENT: WITH THE TRANSFORMATION OF ARAMCO AND WITH S.A. DISPOSING OF AN INCREASING SHARE OF ITS OIL PRODUCTION, REPORTS OF SALES AND SPECTACULAR OFFERS WILL CONTINUE TO BE MADE. THEY SHOULD ALWAYS BE TREATED WITH THE UTMOST SCEPTICISM. THE SAG MAY ENTER INTO SOME LONG TERM SALES CONTRACTS. IF IT DOES THEY WILL BE DIRECTLY WITH GOVERNMENTS OR OIL COMPANIES NOT RPT NOT THROUGH FOREIGN AGENTS.

AKINS

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM, PROCUREMENT, PRESS COMMENTS, PRICES
Control Number: n/a
Copy: SINGLE
Draft Date: 23 DEC 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: boyleja
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974JIDDA07486
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740372-0907
From: JIDDA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741215/aaaaampb.tel
Line Count: 137
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 74 STATE 278752, 74 (NOTA STATE 278352
Review Action: RELEASED, APPROVED
Review Authority: boyleja
Review Comment: n/a
Review Content Flags:
Review Date: 07 MAY 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <07 MAY 2002 by boyleja>; APPROVED <25-Sep-2002 by boyleja>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: MEXICAN CONNECTION: CLASSIC FAIRY TALE
TAGS: ENRG, PFOR, US, SA, FR
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005